



Democrats' Budget Is Bad for the Family Budget

❖ Democrats Want American Families to Pay MORE

- ✓ \$1.2 trillion tax hike means that 43 million families with children will pay **\$2,300 more** each year.
- ✓ 18 million seniors will pay **\$2,200 more**.
- ✓ 27 million small businesses will pay **\$4,100 more**.
- ✓ 8 million low-income workers will be added back to tax rolls.

❖ Less Money Means More Sacrifices

- ✓ \$2,300 could buy a family's groceries for more than 8 months.
- ✓ \$2,300 could pay for a family's health care expenses for a year.
- ✓ \$2,300 could buy a family's electricity & home heating oil for a year.
- ✓ \$2,300 could buy gasoline for a family's two cars for a year.

❖ Democrats Can't Live Within a Reasonable Budget

- ✓ Not satisfied with the huge spending hike they implemented last year, Dems increase spending by \$210 billion over 5 years.
- ✓ Dems plan to spend \$22 billion more than the President's request in FY 2009 alone – giving themselves a 9% spending “raise” from the previous year. Do most workers get a 9% raise?

❖ Democrats Expect Our Children to Pay their Bills

- ✓ Dems allow gross debt to climb by \$2 trillion by 2013.
- ✓ Every American child will owe \$27,000 more under this budget.

❖ Democrats Focus on Next Election, Not Next Generation

- ✓ Refusing to show leadership on difficult issues, Dems do nothing to reduce \$66 trillion in government entitlement obligations.
- ✓ They allow entitlement spending to grow by \$488 billion over 5 years.
- ✓ Who will pay for these entitlement promises? Our children.

❖ Democrats' Plan is Full of False Promises

- ✓ They promise to pay for spending, but make families pay instead.
- ✓ They promise middle-class tax relief, but do nothing to enact it.
- ✓ They promise to reduce the debt, but increase it instead.
- ✓ They promise to address the entitlement crisis, but only worsen it.
- ✓ They promise to collect unpaid taxes, but come up with nothing.



Democrats Unveil Another Tax-and-Spend Budget:

Growing the Federal Budget at the Expense of the Family Budget

Last year, Democrats were afforded the benefit of the doubt when they claimed they would control spending, reduce the debt, enforce budget rules and address long-term fiscal challenges. Now, after their FY08 budget dramatically increased taxes, spending and the debt, while sidestepping budget enforcement and ignoring the entitlement crisis, American taxpayers should hang on to their wallets. The Democrats' FY09 budget is simply more of the same...

❖ Dems' FY09 Budget Again Raises Taxes, by \$1.2 Trillion

- ✓ FY08 tax increase of \$736 billion is upped to \$1.2 trillion – again the largest tax hike ever.
- ✓ Tax hike will hit 116 million Americans.
- ✓ Average people will be paying a lot more – 43 million families will owe **\$2,300 more**; 18 million seniors will owe **\$2,200 more**.
- ✓ 27 million small businesses, the engine of growth for the economy, will owe **\$4,100 more**.

❖ Dems' FY09 Budget Again Increases Spending, by \$210 Billion

- ✓ Not satisfied with a \$205 billion 5-year discretionary spending increase in their FY08 budget, Democrats increase spending by \$210 billion over 5 years in the FY09 budget.
- ✓ In FY 2009 alone, Democrats hike spending by \$22 billion over the President's request -- more than a 9% increase over FY 2008 enacted spending.

❖ Dems' FY09 Budget Again Grows Debt, by \$2 Trillion

- ✓ Instead of reducing the debt as they promised, Democrats allow gross debt to climb by \$2 trillion by 2013.
- ✓ That debt is not an abstract number, but something owed by our children. In fact, every American child will owe \$27,000 more under this budget.
- ✓ The FY09 budget again spends a huge percentage of the Social Security surplus – nearly \$800 billion.

❖ Dems' FY09 Budget Again Ignores Entitlement Reform

- ✓ For a second year in a row, Democrats do nothing to address the \$66 trillion entitlement crisis now on our doorstep.

- ✓ The savings they find in Medicare are wiped out (and then some) by additional spending in Medicaid.
- ✓ In fact, the FY09 budget allows entitlement spending to grow by \$488 billion over five years, even higher than the \$466 billion in growth allowed under Democrats' FY08 budget.

❖ **Dems' FY09 Budget Again Contains Fraud & Gimmicks**

- ✓ Despite claims that entitlement spending must be addressed, Democrats had to be forced by a statutory requirement to find \$1.3 billion in Medicare savings, and not until 2013. However, they also increased Medicaid spending by \$1.7 billion in 2008 and 2009, wiping out any net savings and actually increasing overall entitlement spending.
- ✓ Taxes are again increased, but with a repeat of the false promise of extension of existing middle-class tax relief benefiting families with children, married couples, low-income taxpayers, and family farms and businesses. The same promise was made last year in order to sell a \$900+ billion tax hike, but not a single step has been taken to enact these extensions.
- ✓ This is not explicitly acknowledged, but all of the energy and education tax incentives the FY09 budget "makes room for" must be paid for by other tax increases. The same applies to the middle-class tax relief promised, and any AMT relief after 2008.
- ✓ Claims of recouping a portion of the tax gap – taxes owed but unpaid – in order to offset some of the massive new spending have resulted in no loophole closures and no tax gap revenues. In fact, Congressional action has worsened the tax gap. Why will this year be any different?
- ✓ The 24 reserve funds included in the FY08 budget have grown to 37 this year, representing up to \$300 billion in new taxes and spending.
- ✓ Despite their public cries of outrage over the President's too-low war funding request of \$70 billion for 2009, Democrats budget the exact same amount for 2009. Will our troops be forced to fend for themselves when the money runs out?
- ✓ Budget enforcement mechanisms weakened last year go unchanged, to allow Pay-Go gimmickry and budgetary sleights-of-hand to continue.



Democrats Want to Raise Taxes **on Hardworking Families and Businesses** *Hikes Will Hit 116 Million U.S. Taxpayers*

“I believe, first of all, that we need more revenue.”

*- Senate Budget Committee Chairman Kent Conrad (D-ND),
March 4, 2007 interview on “60 Minutes”*

- **Democrats’ FY09 Budget Again Assumes Largest Tax Hike in History**
 - Democrats’ FY09 budget allows current pro-growth tax policies to expire in 2010, raising taxes on American families and businesses by \$1.2 trillion – the largest tax increase in history.
- **Dems Continue to Claim Extension of Middle-Class Tax Relief, Which Has Never Materialized**
 - Last year, Democrats claimed that an amendment to the budget would extend the child tax credit, marriage penalty relief, the 10% individual tax bracket and estate tax relief to protect small business and family farms.
 - A year later, Democrats have failed to extend any of these tax policies.
 - Incredibly, Democrats have trotted out the same promise this year, in order to make their budget seem more appealing and lower the massive tax increase.
- **Tax Increase Will Hit Families, Seniors, Low-Income Workers and Small Businesses**
 - When Democrats end the current tax policies in 2010, 116 million taxpayers will start sending more of their paycheck to the federal government. Here’s how:
 - Families – 43 million working families with children will see their taxes rise by an additional \$2,300 in 2011.
 - Seniors – 18 million senior citizens will see their taxes rise by an additional \$2,200 in 2011.
 - Low-Income Workers – 7.8 million workers who currently earn too little to pay income taxes will have to start paying taxes again in 2011.
 - Small Businesses – 27 million small businesses, which pay taxes as individuals and are therefore usually classified as “high-income” individuals, will see their taxes rise by an additional \$4,100 in 2011.
- **\$2,300 May Not Seem Like Much in Washington, But it’s a LOT to Most Working Families, Paying For:**
 - ✓ Groceries for more than eight months, or
 - ✓ Home heating oil and electricity for nearly a year, or
 - ✓ Gasoline for two cars for more than a year, or
 - ✓ Health care expenses for nearly a year



If It Sounds Too Good to Be True, It Probably Is ***Democrats' "Tax-the-Rich" Strategy*** ***Can't Possibly Pay For All Their Spending***

➤ **Democrats' FY09 Budget Contains a Laundry List of Expensive Promises**

- Democrats' FY09 budget contains a list of expensive promises, without a clear way to pay for them as required by their own budget enforcement rules, totaling **\$1.2 trillion** over 5 years.
- Here's how that \$1.2 trillion adds up:
 - Middle-class tax relief (child tax credit, marriage-penalty relief, 10% tax rate & some estate tax relief): \$323 billion
 - 1 year of AMT relief: \$ 55 billion
 - Rest of AMT relief: \$357 billion
 - Other tax relief extensions: \$545 billion
- Plus, the Democrats' budget contains 37 reserve funds that allow spending only if taxes are raised to offset it. Those funds represent at least **\$300 billion** in spending (and tax increases) over five years.
- That puts the cost of the promises in the Democrats' FY09 budget resolution at **\$1.5 trillion**.

➤ **Wait, There's More Spending to Be Done...**

- Campaign spending proposals being made by Senators Obama and Clinton total at least **\$1.2 trillion** for each candidate over 5 years.
- Democratic candidates promise to balance the budget without using Social Security, which would cost another **\$307 billion** during 2012 and 2013.
- So if a Democrat wins the White House, the combined cost of what Democrats plan to do in their FY09 budget (**\$1.5 trillion**) and beyond (**\$1.5 trillion**) is **\$3 trillion!**

➤ **But Won't "Taxing the Rich" Pay for It??**

- NO! Here's why:
- The revenues from existing pro-growth tax relief policies, which are due to expire at the end of 2010 since Democrats refuse to extend them, are already factored into the budget baseline after 2010.
- Therefore, Democrats have loudly proclaimed their plan to "tax the rich, starting right now."
- Huh? By immediately repealing all current tax benefits and raising the top individual income tax rates back up to Clinton Administration levels on all families with a household income of \$250,000 or higher (Democrats' definition of the rich), they can only come up with **\$225 billion** over the next 5 years.

- Democrats need **7 TIMES** the amount they can raise through their “tax-the-rich” scheme to cover the **\$1.5 trillion** in spending and tax relief in their budget resolution alone.
- They need **13 TIMES** the amount they can raise through their “tax-the-rich” scheme to cover the **\$3 trillion** in spending and tax relief in the budget resolution and the Democratic campaign proposals.
- Where is the remaining tax revenue going to come from? **Just like under President Clinton, it will come from the middle class, of course.**
- Unless Democrats plan to cut spending, which they don’t, middle-class taxes will have to rise by **\$2.775 trillion** over the next 5 years to finance all of their promises.

DEMOCRATS' FY09 BUDGET PROMISES	
	2009-2013
	<u>Total</u>
EXTEND TAX CUTS	<u>\$1.2 trillion</u>
"Middle-class" tax relief extensions (10% rate, child credit, marriage penalty relief, some estate tax relief)=Baucus amendment	323
1-year AMT relief	55
Rest of AMT relief	357
Other extensions (lower marginal rates, cap gains and dividends rates, small business incentives, energy, education, R&D, others)	545
TAX-AND-SPEND RESERVE FUNDS	<u>\$300 billion</u>
BUDGET RESOLUTION TOTAL	<u>\$1.5 trillion</u>
<i>BUT THERE'S MORE....</i>	
NEW SPENDING FOR NEW PROGRAMS	<u>\$1.2 trillion</u>
CAMPAIGN PROMISE TO BALANCE THE BUDGET W/O USING SOCIAL SECURITY	<u>\$300 billion</u>
CAMPAIGN PROMISES TOTAL	<u>\$1.5 trillion</u>
TOTAL BUDGET RESOLUTION PROMISES AND DEMOCRATIC CAMPAIGN PROMISES	<u>\$3.0 trillion</u>
CAN'T BE PAID FOR BY INCREASING TAXES RIGHT AWAY ON THOSE MAKING>\$250,000 BEFORE TAXES GO UP IN 2011	<u>\$225 billion</u>
(need 13 times more money than that)	
TOTAL TAX INCREASE ON MIDDLE CLASS NECESSARY TO PAY FOR ALL PROMISES	<u>\$2.775 trillion</u>



The Tax Gap: **Available Dollars or Wishful Thinking?** ***Dems' FY09 Budget Again Relies on Tax Gap as Magic Offset***

➤ **Tax Gap Has Been Grossly Overstated by Democrats**

- The tax gap is the difference between revenue owed to the federal government and revenue actually collected by the federal government. It has nothing to do with closing “loopholes.”
- Then-IRS Commissioner Everson testified before the Budget Committee that tax gap revenues could potentially grow to \$20 billion in 2010 or 2011, and that \$35 billion over five years is a reasonable range to expect.
- By comparison, while the Dems' budget says nothing other than it “assumes that Congress will take aggressive steps to close the tax gap,” Senator Kent Conrad, the Chairman of the Senate Budget Committee, has grossly overstated the revenues that could be collected from closing the tax gap – and claims Democrats can collect \$300 billion over five years.

➤ **The Democrats' “Tax Gap Shuffle”**

- Last year, the Democrats' budget resolution claimed that it would result in Congress reducing the tax gap by at least \$300 billion over five years. That was the advertising. What happened in reality?

A Sidestep: Congress decided not to enact the other \$5.5 billion (over five years) of the total tax-gap-closing policies proposed by the President, meaning that Congress did only 4 percent of the job.

A Misstep: The President proposed, and the FY 2008 budget resolution agreed, to provide the IRS an additional \$406 million in 2008 to increase tax compliance efforts to close the tax gap. While the Senate and House each passed a 2008 appropriation bill that would have provided this additional money, in the end, the Omnibus appropriation bill that Congress sent to the President for signature did not provide the additional \$406 million. This means that Congress fell down on an opportunity to aid the IRS in collecting billions in revenue that now the IRS will not have the resources to track down.

A Step Backwards: Last year, the House (but not the Senate) passed legislation (which has not yet been enacted) that, instead of making progress towards closing the tax gap, would actually widen the tax gap by about \$1.1 billion over 10 years. The three provisions would result in the following levels of revenue loss by:

- Repealing the IRS' ability to hire private debt collectors (\$1.05 billion).

- Delaying for one year the implementation of government withholding (\$0.04 billion).
- Limiting to three years the time that IRS has to audit individuals living part of the year in the Virgin Islands (\$0.04 billion).

➤ **Closing Tax Gap is Difficult Task**

- Majority of tax gap is due to individuals inadvertently underreporting their income and overstating their deductions, not corporate tax evasion.
- Excessive and intrusive IRS auditing necessary to achieve Dems' assumptions: increased mandatory withholdings, unfettered seize and levy authority, Form 1099 for all consumer business transactions, etc.
- Farmers, landlords, and families using babysitters, housekeepers and gardeners would be hit hardest.
- Increasing tax-compliance burden is unwelcome - Americans already spend 6.6 billion hours annually complying with the tax code, and billions of dollars for professional tax advice.
- Common sense says that if tax gap collection was simple or easily recouped, it would have been done successfully long before now.

➤ **Democrats Have Failed to Produce A Concrete Plan**

- The IRS is currently working on closing the tax gap via enforcement measures, and the President's budget proposes 16 changes to existing tax law to help shrink the tax gap. These changes are expected to generate \$36 billion in new revenues over 10 years.
- The Dems have failed to offer any specific legislative recommendations on how they plan to collect the \$300 billion Senator Conrad says can be collected over five years.
- Therefore, stating that additional revenues in the budget are from the "tax gap" is just a way to hide real tax increases.

➤ **Tax Gap Collections Should be Used for Debt Reduction, Not New Spending**

- Since closing the tax gap is about collecting revenue the government is currently owed, any revenue raised by closing the tax gap should be used to finance existing government obligations, not new spending.



Democrats Spend Recklessly on Washington Programs **FY09 Budget Another Step Backwards to Era of Big Government**

“We need to be tough on spending.”

- Senate Budget Committee Chairman Kent Conrad (D-ND),
March 4, 2007 interview on “60 Minutes”

➤ Democrats’ FY09 Budget Embraces Unrestrained Discretionary Spending: \$210 Billion Over Five Years

- The Democrats’ budget adds \$22 billion above and beyond the President’s discretionary spending request of \$997 billion for FY09 – which already reflects an increase of 6.5% over FY08. How can nearly \$1 trillion not be enough?
- Because Democrats refuse to propose any spending reductions, they give themselves a 9% domestic spending “raise” from the previous year. Do most American workers get a 9% annual raise?
- Democrats try to hide a significant chunk of the increase with a budget gimmick – a \$4 billion increase in advance appropriations, even though there is no programmatic justification for advance appropriations.
- The \$22 billion increase in FY09 will add up to \$210 billion over 5 years, which would be added to the debt owed by our children and grandchildren.

➤ Democrats’ FY09 Budget Ignores Unfunded Entitlement Obligations of \$66 Trillion

- Democrats make no attempt to address \$66 trillion in unsustainable long-term entitlement obligations facing the nation, shirking their leadership responsibility to protect future generations from a fiscal meltdown.
- Democrats may tout \$1.3 billion savings in Medicare that they finally do in 2013, to keep pushing off the Medicare trigger, but that savings is completely wiped out (and then some) by a \$1.8 billion increase in Medicaid spending to delay efforts to fight fraud.
- Under the Democratic budget, entitlement spending grows \$488 billion over 5 years.
- Their budget allows for an \$80+ billion increase in health care entitlement spending through “tax-and-spend” reserve funds, despite the trillion-dollar funding crisis health care entitlements are facing.



Democrats Continue to Ignore Massive Fiscal Threat To Future Generations ***Unfunded Liabilities Equal \$445,000 Per U.S. Household***

“I have said I am prepared to get savings out of long-term entitlement programs.”

*- Senate Budget Committee Chairman Kent Conrad (D-ND),
FY 2008 Budget hearing, February 7, 2007*

➤ Demographics Cannot Be Disputed

- Massive Baby Boom generation has already started to retire, this year.
- Over-65 population will nearly double by 2035, to 75 million people.
- By 2035, there will be only 2.1 workers for every retiree, compared to a 3.3:1 ratio today, or a 5.1:1 ratio in 1960.
- These demographics are compounded by skyrocketing health care costs.

➤ Entitlement Spending Crisis is Real

- Unfunded liabilities over next 75 years will reach a staggering \$66 trillion – Medicare (\$34 trillion), Medicaid (\$16.4 trillion), Social Security (\$4.7 trillion), and other liabilities (\$10.4 trillion).
- Entitlement growth is rising faster than overall budget...by 2017, it will account for nearly 70% of the entire budget.
- Left unchecked, Social Security, Medicare and Medicaid together will consume 18% of GDP by 2030, 28.5% by 2050.

➤ Shirking Leadership, Democrats Do Nothing About It

- Focusing on the next election instead of the next generation, Democrats' FY09 budget once again makes no attempt to substantively address the \$66 trillion long-term entitlement crisis facing the nation.
- Democrats may tout \$1.3 billion savings in Medicare that they finally do in 2013, to keep pushing off the Medicare trigger, but that savings is completely wiped out by a \$1.8 billion increase in Medicaid spending to delay efforts to fight fraud.
- Under the FY09 budget, entitlement spending grows \$488 billion over 5 years.

➤ Democrats' Inaction Will Saddle Our Children with Debt

- The unfunded liability translates into a \$445,000 burden per U.S. household. This amount is twice the value of the median American home and almost eight times the median American household income.
- Unless addressed, this burden will mean that our children will not be able to enjoy the same quality of life that we do: they won't be able to afford to buy a house, pay for college tuition or save for retirement.



Passing Prosperity On to Our Children

• ECONOMIC GROWTH • AFFORDABLE GOVERNMENT • HONEST BUDGETING •

Democrats Bury Our Children in Debt ***FY09 Budget Increases Debt by \$2 Trillion:*** ***\$27,000 More Owed By Every American Child***

“Every dollar we add to the federal deficit is another dollar we are forcing our children to pay back in higher taxes or fewer government benefits.”

- Senate Budget Committee Chairman Kent Conrad (D-ND), March 14, 2006

➤ **Debt Grows Dramatically Under the Democrats**

- Under the Democrats' FY08 budget, gross debt increased by \$500 billion in 2007.
- Under the Democrats' FY09 budget, gross debt will have increased by \$2 trillion by 2013.

➤ **Debt Will Be Paid Back By Our Children**

- The \$500 billion debt increase over the past year means that every American child under 18 now owes nearly \$7,000 more than the \$120,000 they owed just one year ago.
- The \$2 trillion debt increase between 2008 and 2013 means that every American child under 18 will owe \$27,000 more than the \$120,000 they owed one year ago.
- That will have a real impact on the quality of life our children are able to enjoy – the amount of their paychecks they will be able to keep for things like mortgage payments, college tuition, and retirement savings.

➤ **Instead of Addressing Debt, Democrats Continue to Run it Up**

- Democrats, particularly Senate Budget Committee Chairman Kent Conrad (D-ND), have talked a good game about the need to reduce the debt:
 - “The result of this rising debt is that increasingly we are borrowing the funds to float this boat from abroad.” – Sen. Conrad, 1/4/07
 - “The debt is growing much faster than the size of the deficit. It is the debt that is the threat.” – Sen. Conrad, 1/9/07
- However, Democrats' FY09 budget included massive discretionary (\$210 billion) and mandatory (\$488 billion) spending increases over five years, without making any reductions in existing spending that would help to reduce the debt.
- In fact, even under the FY09 budget's assumption of a massive \$1.2 trillion tax increase over five years, the debt will still grow by trillions.

➤ **Democrats Are Spending Nearly \$800 Billion of Social Security Surplus, Increasing Our Debt**

- The Democrats' FY09 budget spends a huge percentage of the Social Security surplus, nearly \$800 billion over five years. Every year, Democrats plan to spend excess Social Security dollars on other programs. Eventually that money will have to be paid back through increased taxes.

➤ **Making Matters Worse, Democratic Presidential Candidates are Promising the Moon**

- As bad as the FY09 budget is, current debt calculations do not include the hundreds of billions of dollars in new spending that the Democratic presidential candidates are promising with reckless abandon.
- Conservative estimates put each candidate's proposals at more than \$300 billion annually in new spending – 60% larger than any one-year federal spending increase, ever – without any offsets other than tax increases, which the Democrats' budget already assumes.



Passing Prosperity On to Our Children

• ECONOMIC GROWTH • AFFORDABLE GOVERNMENT • HONEST BUDGETING •

Democrats' Budget Full of False Promises

Rhetoric Masks Reality of Higher Taxes, Spending, Debt

- ✓ They promise to pay for spending, but make families pay instead.
- ✓ They promise middle-class tax relief, but do nothing to enact it.
- ✓ They promise to reduce the debt, but increase it instead.
- ✓ They promise to address the entitlement crisis, but only worsen it.
- ✓ They promise to collect unpaid taxes, but come up with nothing.

Democrats Promise to Pay for Spending...

- “So those of us who are concerned about spending, sign me up.” – Senator Conrad, FY08 Budget Resolution mark-up, 3/15/07
- “We need to be tough on spending. – Senator Conrad, “60 Minutes,” 3/4/07
- “I think we should sharply inhibit the growth of spending.” – Senator Conrad, FY04 Budget Resolution mark-up, 3/12/03
- “We’re facing a fiscal nightmare in our country...But with Pay-Go in place, we’ll begin to get America on the right economic track.” – Senate Majority Leader Reid, Senate floor, 1/4/07

BUT....Families Will Pay Instead

- To pay for all of the Democrats’ expensive promises (AMT patch, middle-class tax relief extension and 37 reserve funds), they will have to raise at least \$1.5 trillion in revenues.
- In addition to waiving Pay-Go to deficit-spend (last year they waived, ignored or gimmicked Pay-Go to the tune of \$143 billion), Democrats say they plan to tax the rich, immediately.
- But that will only raise \$225 billion over 5 years. They need 7 times that much, which can only come from taxing the middle-class as well.
- That will translate to working families, seniors, small business owners paying thousands of dollars more in income taxes – money that would otherwise go for necessities in the family budget.

Democrats Promise to Extend Middle-Class Tax Relief...

- “The agreement would allow us to extend marriage penalty relief, the child tax credit and the 10 percent bracket. It also supports reform of the estate tax to protect small businesses and family farms, and other tax cuts as well.”
Senate Majority Leader Reid, Senate floor, 5/17/07

BUT....They’ve Done Nothing to Enact It

- Despite press releases last year touting a middle-class tax relief package, Democrats did not take a single step to enact it.
- Even the AMT middle-class tax relief was put off until the last possible minute.

- Now, for a second year in a row, they have rolled out a budget with the largest tax hike in history and promised that they will amend it on the Senate floor to include the extension of middle-class tax relief – the child tax credit, marriage penalty relief, the 10% individual tax bracket and some estate tax relief.
- But after last year, why should anyone believe that the middle-class tax relief extension will occur this year?

Democrats Promise to Reduce Debt...

- “Every dollar we add to the federal debt is another dollar we are forcing our children to pay back in higher taxes or fewer government benefits.” – Senator Conrad, FY07 Budget Resolution mark-up, 3/14/06
- “Here is where we are headed: debt up, up and away.” – Senator Conrad, FY07 Budget Resolution mark-up, 3/14/06

BUT....They Increase Debt Instead

- Democrats’ FY09 budget includes massive discretionary (\$210 billion) and mandatory (\$488 billion) spending increases over 5 years, without making any spending reductions to reduce the debt.
- Their budget spends a huge percentage of the Social Security surplus, nearly \$800 billion over five years.
- As bad as the FY09 budget is, current debt calculations do not include the Democratic presidential candidates’ proposals of more than \$300 billion annually in new spending each – 60% larger than any one-year federal spending increase, ever – without any offsets other than tax increases, which the Democrats’ budget already assumes.
- Under the FY09 budget, gross debt increases by \$2 trillion by 2013.
- The \$2 trillion debt increase between 2008 and 2013 means that every American child under 18 will owe \$27,000 more than they owed one year ago.

Democrats Promise to Address the Entitlement Crisis...

- And we need to reform the entitlement programs.” – Senator Conrad, “60 Minutes,” 3/4/07
- “I have said I am prepared to get savings out of long-term entitlement programs.” – Senator Conrad, FY08 budget hearing, 2/7/07
- “We cannot tax increase our way to a solution of this problem.” – Senator Conrad, Budget Committee hearing, 2/8/07

BUT....They Only Worsen the Crisis

- Focusing on the next election instead of the next generation, Democrats’ FY09 budget once again makes no attempt to substantively address the \$66 trillion long-term entitlement crisis facing the nation.
- Democrats may tout \$1.3 billion savings in Medicare that they finally do in 2013, to keep pushing off the Medicare trigger, but that savings is completely wiped out by a \$1.8 billion increase in Medicaid spending to delay efforts to fight fraud.

- Under the FY09 budget, entitlement spending grows \$488 billion over 5 years.
- The unfunded liability translates into a \$445,000 burden per U.S. household. This amount is twice the value of the median American home and almost eight times the median American household income.
- Unless addressed, this burden will mean that our children will not be able to enjoy the same quality of life that we do: they won't be able to afford to buy a house, pay for college tuition or save for retirement.

Democrats Promise to Collect Unpaid Taxes...

- If we just collected 15% of it [tax gap] that would be over \$300 billion. That alone would come close to meeting the revenue needs under our budget resolution.” – Senator Conrad, FY08 budget resolution debate, 3/20/07

BUT....They Come Up With Nothing

- Last year, the Democrats' budget claimed that it would result in Congress reducing the tax gap by at least \$300 billion over five years. That was the advertising.
- The reality was that the Democratic Congress decided not to enact the majority of the President's proposed tax-gap closing policies; it did not include in the omnibus appropriation bill an additional \$406 million for the IRS in 2008 to increase tax compliance efforts to close the tax gap; and the House passed legislation that, instead of making progress towards closing the tax gap, would actually widen the tax gap by about \$1.1 billion over 10 years.
- In other words, not only did Democrats fail to collect the \$300 billion they claimed they would, they actually blocked efforts to close the gap and then tried to worsen it. Good effort!



Democrats Continue to Manipulate Reconciliation **For MORE Spending**

➤ Last Year, Democrats Abused Reconciliation Process to Spend \$20 Billion

- Last year's FY08 budget resolution conference agreement included reconciliation instructions to a single committee for savings of \$750 million.
- The instruction was included in the House-passed resolution last year, but not the Senate-passed resolution.
- Reconciliation, a special budget procedure, was not intended to be used to expand the size of government. The Democrats used reconciliation to explode spending into \$20 billion of new government programs. Reconciliation should not be used that way.

➤ The Same Thing is Happening Again This Year...

- The FY09 House budget resolution again includes a \$750 million savings instruction under reconciliation; the Senate resolution again contains no such instruction.
- Why would the House do this? The Rules Committee in the House precludes any need to have reconciliation instructions for that body.
- The real purpose of reconciliation is to get around the filibuster in the Senate, to move legislation with 51 votes rather than 60 votes.
- Make no mistake, just like last year, there will be a reconciliation instruction in the Budget Resolution Conference Report.

➤ The House Should Not Do the Senate's Dirty Work

- The House should not be doing the Senate's dirty work. If there is going to be reconciliation in the conference report on the budget resolution, Democrats should say what it is. Why was the \$750 million figure chosen? How much new spending will occur? Where will the spending savings come from?
- The issue of reconciliation is important and should be debated before the full Senate during the 50 hours set aside for debate on this resolution.
- We hear a great deal from the Democratic leadership about the integrity and honesty and transparency of the government. Reconciliation in the Senate should be talked about openly, not hidden and protected from scrutiny through action by the House of Representatives.

➤ **What Will Come From This?**

- Reconciliation instructions direct committees to report legislation with changes in law from anything within their jurisdiction. Since the Ways and Means Committee is instructed in the 2009 House budget resolution, the Senate committee that would have to be instructed (if instructions are included in a budget conference report) is the Finance Committee.
- The Finance Committee has jurisdiction over extremely important issues such as Medicare, Medicaid and TAXES – income taxes, gasoline taxes, business taxes, energy taxes, etc.
- In other words, hundreds of billions of dollars of spending and tax changes could be reported to the floor for fast-track consideration – debate is limited to 20 hours and amendments are extremely limited under the Byrd rule – for an up or down simple majority vote. Isn't that kind of privilege worthy of debate?



Top Five List of Democratic Budget's Glaring Omissions

1. NO Long-Term Entitlement Reform

- Despite numerous hearings on the severity of the \$66 trillion long-term entitlement crisis facing the nation, the Democratic budget makes no attempt to address it.
- Democrats may tout \$1.3 billion savings in Medicare that they finally do in 2013, to keep pushing off the Medicare trigger, but that savings is completely wiped out by a \$1.8 billion increase in Medicaid spending to delay efforts to fight fraud.
- Under their budget, entitlement spending grows by \$488 billion over 5 years.

2. NO AMT Relief After 2008

- Instead of attempting to permanently fix the AMT situation, the Democratic budget assumes only a one-year AMT fix, for 2008, that is not paid for.
- The budget kicks the AMT can down the road, not including a permanent fix or any other temporary fixes beyond 2008.
- Any AMT relief after 2008 must be paid for by other tax increases.

3. NO Funding for War Costs Beyond January 2009

- Despite publicly chastising Administration officials for failing to include adequate war funding beyond January 2009, Budget Chairman Conrad includes the exact same number in his budget plan.
- The \$70 billion in the budget is only enough to cover four months of FY 2009, raising the question of how will they survive or get home once the Democrats' funding runs out?

4. NO Debt Reduction

- Despite public statements of concern about the mounting federal debt, the Democratic budget makes no attempt to reduce the debt.
- Their budget actually runs up the debt by including massive discretionary (\$210 billion) and mandatory (\$488 billion) increases over 5 years, without any substantive reductions in existing spending.
- Under their budget, gross debt increases by \$2 trillion over 5 years – which increases the debt owed by every American child by \$27,000.

5. NO Real Dollars For Spending in 37 Reserve Funds

- While the Democratic budget advertises increased resources for all sorts of priorities, it does not actually include the dollars for that increased spending.
- Instead, the budget includes 37 “tax-and-spend” reserve funds for these activities, which means that spending will be allowed only when taxes are increased later.
- These reserve funds translate into tax increases of at least \$300 billion.



Democrats Continue to Play Budgetary Games:

Waiving or Gimmicking Pay-Go

Pay-Go Gimmickry Has Led to \$143 Billion in Deficit Spending

“Paygo has been nothing but a con game from the very start.”

- Wall Street Journal editorial, December 10, 2007

➤ **Democrats Last Year Used Pay-Go as a Trojan Horse for \$143 Billion in Deficit Spending – Will This Year Be Any Different?**

- Democratic Senate Majority Leader Harry Reid (D-NV) on January 4, 2007 proclaimed that “with Pay-Go in place, we’ll begin to get America on the right economic track.” However...
- Democrats’ Pay-Go hasn’t applied to discretionary spending.
- Democrats’ Pay-Go hasn’t restrained the growth in mandatory entitlement spending.
- In fact, despite false claims of “fiscal discipline”, Democrats last year watered down Pay-Go budget enforcement rules to potentially allow new spending that is not offset, so it is essentially deficit spending on the nation’s credit card. Here’s how:
 - **Dropping First-Year Test** - By dropping the strongest fiscal test – the first-year test for deficit neutrality that existed previously – and instead using only a 5- and 10-year time frame, Democrats can “spend now, pay later.”
 - **Shifting Revenues** - By shifting the timing of nearly \$47 billion in corporate estimated tax payments from 2013 to 2012 (from outside to inside the enforceable 5-year budget window) in numerous proposed and enacted bills, Democrats last year managed to *technically* satisfy Pay-Go’s deficit-neutrality test for years 1 through 5 with a gimmick that does not “pay for” anything.
 - **Shifting Costs** - By moving spending costs outside of the 10-year budget window, Democrats last year got around Pay-Go, since they didn’t have to find an offset within the budget window. The Farm bill pushes \$10 billion of spending to years beyond 2017 in order to escape Pay-Go enforcement.
 - **Early Sunsets & Program Reductions** – By ending programs early or using one-year program reductions, in bills like SCHIP, the Farm Bill and the HELP reconciliation bill, Democrats have managed to hide costs and get around Pay-Go enforcement.
 - **Hiding Mandatory Spending in Appropriations Bills** – By exempting the 2007 supplemental appropriations bill from a budget point of order, Democrats were able to hide \$2.4 billion in mandatory spending for the MILC program in the supplemental.

- Despite all evidence to the contrary, Senate Budget Committee Chairman Kent Conrad (D-ND) on November 16, 2007, continued to wave the Pay-Go banner, saying, “Pay-Go is not full of holes...” This declaration comes from the author of the upcoming FY09 budget, so it is highly unlikely that we have seen the last of these gimmicks and shenanigans.

➤ **Here We Go Again...**

- In their FY09 budget, Democrats already acknowledge that the cost of an AMT patch in 2008 will not be offset, thus violating Pay-Go. Democrats say that they plan to waive Pay-Go for AMT, and that the waiver technically constitutes compliance. What??
- Democrats have announced plans to revive last year’s unfulfilled promise to extend middle-class tax relief, which is subject to an offset under Pay-Go. Chairman Conrad stated during the budget mark-up that he expected Pay-Go to be waived for this future legislation as well.
- The Democrats say they have complied with Pay-Go if they get 60 votes in the Senate to allow Pay-Go to be violated. What??